STATE OF ARIZONA

DEPARTMENT OF INSURANCE

In the Matter of:	Docket No. 01A-127-INS
NATIONAL HEALTH INSURANCE COMPANY,	**CONSENT ORDER**
NAIC #82538,	
Respondent	

Examiners for the Department of Insurance (the "Department") conducted a market conduct examination of National Health Insurance Company ("National Health"). The Report of Examination of the Market Conduct Affairs of National Health Insurance Company alleges that National Health has violated A.R.S. §§20-443, 20-444, 20-448.01, 20-461, 20-462, 20-2104, 20-2110, 20-2502, 20-2510, 20-2533, 20-2536 and A.A.C. R20-6-201, R20-6-801 and R20-6-1203.

National Health wishes to resolve this matter without formal proceedings, admits that the following Findings of Fact are true, and consents to the entry of the following Conclusions of Law and Order.

FINDINGS OF FACT

1. National Health is authorized to transact life and disability insurance pursuant to a Certificate of Authority issued by the Director.

2. The Examiners were authorized by the Director to conduct a market conduct examination of National Health. The on-site examination covered the time period from January 1, 1999 through December 31, 1999 for claims and January 1, 1998 through December 31, 1999 for all other issues, and was concluded on April 20, 2000. Based on the findings, the Examiners prepared the "Report of Examination of

the Market Conduct Affairs of National Health Insurance Company", dated April 20, 2000.

3. National Health conducted utilization review, but failed to meet or be exempt from the statutory requirements for performing utilization review.

4. National Health failed to include a health care appeals packet approved by the Director with certificates issued to 207 members between July 1, 1998 and July 12, 1998.

5. The Examiners reviewed the advertising materials used by National Health during the time frame of the examination and found as follows:

a. National Health used two advertising forms (U1-0260 3/8 and U1-0260 10/8) that stated a Specified Medical Benefit Rider included benefits for emergency room fees, when in fact the policy did not cover the fees of the emergency room physician.

b. National Health used three advertising forms (U-01200 3/8, U-01200 5/9, and Conversion Offer) that referred to dollar amounts for which benefits are payable but did not disclose the exceptions, reductions and limitations affecting the basic provisions of the policy.

c. National Health used two advertising forms (U1-0150 6/7 and U1-0155 6/7) that stated that 100% of the loss is covered after the deductible, when in fact since the charges were subject to the exclusions and limitations enumerated in the policy.

d. National Health used one internet advertising form that referred to specific dollar amounts but failed to disclose the exceptions, reductions, and limitations affecting the basic provisions of the policy.

6. National Health failed to provide a *Notice of Insurance Information*

Practices to 625 applicants for group health insurance that was individually underwritten.

7. National Health performed 105 HIV-related tests during the time frame of the examination without first receiving the specific written informed consent of the subject of the test on a form prescribed and approved by the Director.

8. The Examiners reviewed 53 of 438 individual applications for certificates of coverage under association group health policies issued, 59 of 59 applications declined and 51 of 118 applications canceled, postponed or incomplete during the time frame of the examination and found as follows:

a. National Health failed to provide nine applicants with the specific reason in writing for an adverse underwriting decision.

b. National Health failed to provide 72 applicants who were subject to an adverse underwriting decision with a *Summary of Rights*.

9. The Examiners reviewed 50 of 776 claims for services provided by contracted providers and 50 of 3,590 claims for services provided by non-contracted providers during the time frame of the examination and found as follows:

a. National Health failed to accept or deny 13 first party claims within 30 calendar days for contracted providers or within 15 working days for non-contracted providers after receipt of a properly executed proof of loss.

b. National Health failed to acknowledge receipt of 25 claims within ten working days of notification of claim

c. National Health failed to complete investigation of three claims within 30 days after notification of claim.

d. National Health failed to pay interest on seven first party claims not paid within 30 days after receipt of an acceptable proof of loss, resulting in

underpayments to the insureds totaling $3,041.01.

CONCLUSIONS OF LAW

1. National Health violated A.R.S. §§20-2502(A) and 20-2510 by conducting utilization review without being licensed.

2. National Health violated A.R.S. §20-2533(C) by failing to include a health care appeals packet approved by the Director with newly issued policies and certificates.

3. National Health violated A.R.S. §§20-443(1), 20-444(A) and A.A.C. R20-6-201(B) by issuing advertising forms that misrepresented the terms of the policies issued, and that were untrue, deceptive, or misleading.

4. National Health violated A.A.C. R20-6-201(C)(2) by issuing advertising forms that referred to dollar amounts for which benefits are payable and failing to disclose exceptions, reductions and limitations affecting the basic provisions of the policy.

5. National Health violated A.R.S. §§20-443(1), 20-444(A), and A.A.C. R20-6-201(B) and R20-6-210(C)2) by using an internet advertising form that failed to disclose the exceptions, reductions, and limitations affecting the basic provisions of the policy

6. National Health violated A.R.S. §20-2104(A) by failing to provide a *Notice of Insurance Information Practices* to applicants for individually underwritten group health insurance.

7. National Health violated A.R.S. §20-448.01(B) and A.A.C. R20-6-1203(C) by performing HIV-related tests without first receiving the specific written informed consent of the subject of the test on a form prescribed by the Director.

8. National Health violated A.R.S. §20-2110(A) by failing to provide applicants for insurance that were the subject of adverse underwriting decisions: 1) written notice of the adverse underwriting decision, 2) either the specific reasons for the adverse decision or notification that the specific reason could be obtained on written request, and 3) *Summaries of Rights*.

9. National Health violated A.A.C. R20-6-801(G)(1)(a) and A.R.S. §20-461(A)(5) by failing to accept or deny first party claims submitted by contracted providers within 30 calendar days after receipt of a properly executed proof of loss.

10. National Health violated A.R.S. §20-462(A) by failing to pay interest on first party claims not paid within 30 days after receipt of an acceptable proof of loss.

11. National Health violated A.A.C. R20-6-801(E)(1) and A.R.S. §20-461(A)(2) by failing to acknowledge receipt of first party claims submitted by non-contracted providers within ten working days of notification of claim.

12. National Health violated A.A.C. R20-6-801(F) and A.R.S. §20-461(A)(3) by failing to complete investigation of first party claims submitted by non-contracted providers within 30 days after notification of claim.

13. National Health violated A.A.C. R20-6-801(G)(1)(a) and A.R.S. §20-461(A)(5) by failing to accept or deny first party claims submitted by non-contracted providers within 15 working days after receipt of a properly executed proof of loss.

14. Grounds exist for the entry of the following Order, pursuant to A.R.S. §§20-220, 20-456 and 20-2117.

ORDER

IT IS ORDERED THAT:

1. National Health shall cease and desist from:

   a. Conducting utilization review without being licensed.

b. Failing to include health care appeals information packets approved by the Director with all newly issued health insurance policies and certificates.

c. Issuing advertising forms that misrepresent the terms of the policies issued, that are untrue, deceptive or misleading.

d. Issuing advertising forms that refer to dollar amounts for which benefits are payable and failing to disclose exceptions, reductions and limitations affecting the basic provisions of the policy.

e. Failing to provide a *Notice of Insurance Information Practices* to applicants for group health insurance.

f. Performing HIV-related tests without first receiving the specific written informed consent of the subject of the test on a form prescribed and approved by the Director.

g. Failing to provide applicants for insurance that were the subject of adverse underwriting decisions: 1) written notice of the adverse underwriting decision, 2) either the specific reasons for the adverse decision or notification that the specific reason could be obtained on written request, and 3) *Summaries of Rights*.

h. Failing to accept or deny first party claims submitted by contracted providers within 30 calendar days after receipt of a properly executed proof of loss.

i. Failing to pay interest on first party claims not paid within 30 days after receipt of an acceptable proof of loss.

j. Failing to acknowledge receipt of first party claims submitted by non-contracted providers within ten working days of notification of claim.

k. Failing to complete investigation of first party claims submitted by non-contracted providers within 30 days after notification of claim.

I. Failing to accept or deny first party claims submitted by non-contracted providers within 15 working days after receipt of a properly executed proof of loss.

2. Within 90 days of filed date of this Order, National Health shall submit to the Arizona Department of Insurance, for approval, evidence that corrections have been implemented and communicated to the appropriate personnel regarding all of the items listed in Paragraph 1 of the Order section of this Consent Order. Evidence of corrective action and communication thereof includes, but is not limited to, memos, bulletins, E-mails, correspondence, procedures manuals, print screens and training materials.

3. Within 90 days of the filed date of this Order, National Health shall document to the Department that it has paid interest to the three first party claimants listed in Exhibit A of this Order. Interest shall be calculated at the rate of ten percent per annum, from the date each claim was received by the Company, to the date of payment.

4. Each payment made in accordance with Item 3 above shall be accompanied by a letter to the claimant in a form previously approved by the Director. A list of payments, giving the name and address of each party paid, the amount of the payment, the amount of interest paid, and the date of payment, shall be provided to the Department within 90 days of the filed date of this Order.

5. The Department shall be permitted, through authorized representatives, to verify that National Health has complied with all provisions of this Order.

6. National Health Insurance Company shall pay a civil penalty of $21,000 to the Director for deposit in the State General Fund in accordance with A.R.S. § 20-220(B). This civil penalty shall be provided to the Market Conduct Examinations

Section of the Department prior to the filing of this Order.

7. The Report of Examination of the Market Conduct Affairs of National Health dated April 20, 2000, including the letter submitted in response to the Report of Examination, shall be filed with the Department after the Director has filed this Order.

DATED at Phoenix, Arizona this 10th day of May, 2001.

Charles R. Cohen
Director of Insurance

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EXHIBIT A

FIRST PARTY CLAIMS NOT PAID WITHIN 30 DAYS OF RECEIPT OF AN ACCEPTABLE PROOF OF LOSS

A.R.S. § 20-462(A)

Claim Number	Amount
98110360-06	$55.52
98048945-14	$829.54
99008728-29	$2,153.16
TOTAL 3	**$3,038.22**

CONSENT TO ORDER

1. National Health Insurance Company has reviewed the foregoing Order.

2. National Health Insurance Company admits the jurisdiction of the Director of Insurance, State of Arizona, admits the foregoing Findings of Fact, and consents to the entry of the Conclusions of Law and Order.

3. National Health Insurance Company is aware of its right to a hearing, at which it may be represented by counsel, present evidence, and cross-examine witnesses. National Health Insurance Company irrevocably waives its right to such notice and hearing and to any court appeals related to this Order.

4. National Health Insurance Company states that no promise of any kind or nature whatsoever was made to it to induce it to enter into this Order and that it has entered into this Order voluntarily.

5. National Health Insurance Company acknowledges that the acceptance of this Order by the Director of Insurance, State of Arizona, is solely to settle this matter against it and does not preclude any other agency or officer of this state or its subdivisions or any other person from any other civil or criminal proceedings, whether civil, criminal, or administrative, as may be appropriate now or in the future.

6. Gerald Scott Smith, who holds the office of President and CEO of National Health Insurance Company, is authorized to enter into this Order for it and on its behalf.

NATIONAL HEALTH INSURANCE COMPANY

MAY 1, 2001
Date

By: _____

COPY of the foregoing mailed/delivered

This 10th day of May 2001, to:

Sara Begley
Deputy Director
Mary Butterfield
Assistant Director
Consumer Affairs Division
Paul J. Hogan
Chief Market Conduct Examiner
Market Conduct Examinations Section
Deloris E. Williamson
Assistant Director
Rates & Regulations Division
Steve Ferguson
Assistant Director
Financial Affairs Division
Alexandra Shafer
Assistant Director
Life and Health Division
Nancy Howse
Chief Financial Examiner
Terry Cooper
Fraud Unit Chief

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Carney Burton